Welcome to Teekay Corporation’s First Quarter 2017 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question-and-answer session. At that time, if you have a question, participants, we ask you to press *1 to register for a question. For assistance during the call, please press *0 on your touchtone phone. As a remainder, this call is being recorded.

Now for opening remarks and introductions, I would like to turn the call over to Mr. Kenneth Hvid, Teekay’s President and Chief Executive Officer. Please go ahead, sir.

Scott Gayton: Before Mr. Hvid begins, I would like to direct all participants to our website at www.teekay.com where you will find a copy of the First Quarter of 2017 Earnings Presentation. Mr. Hvid will review this presentation during today’s conference call.

Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the First Quarter 2017 Earnings Release and Earnings Presentation available on our website.
I will now turn the call over to Mr Hvid to begin.

Kenneth Hvid: Thank you, Scott. Hello everyone and thank you for joining us today for Teekay Corporation's First Quarter 2017 Investor Conference Call. I am joined this morning by our CFO, Vince Lok. During our call today, we'll be taking you through the earnings presentation, which can be found on our website.

Turning to slide three of the presentation, I will briefly review some recent highlights for Teekay Corporation. During the first quarter, we generated consolidated cash flow from vessel operations, or CFVO, of approximately $275 million. Although, our consolidated results declined from the fourth quarter of 2016, Teekay's offshore and tanker business performed slightly better than our expectations in the first quarter of 2017, particularly driven by higher cash flow generated by our shuttle tanker and conventional tanker fleets.

Teekay Corporation reported a consolidated adjusted net loss of $35.7 million, or $0.41 per share, in the first quarter. Since reporting earnings in February 2017, we've made good progress in our efforts to re-contract the remaining offshore and LNG assets that are still directly owned or in chartered by Teekay Parent. I'm pleased to report that we have recently secured new contracts for the Hummingbird Spirit FPSO and Polar Spirit LNG carrier. In April, we finalized the previously-announced contract amendment to extend the firm period of the Hummingbird Spirit FPSO charter for a three year-period out to the end of September 2020. I'll come back to this contract in a moment.

Also, in April, we secured a new one-year charter contract for the Polar Spirit LNG carrier at a strong market rate. As a reminder, the Arctic and Polar Spirit have unique characteristics that enable our customers to use them in certain trades where conventional LNG carriers would be restricted, for instance in China and South America. Both of these contracts will result in a direct increase to Teekay Parents’ CFVO.
On slide four, I will review some recent highlights from our three publicly-traded daughter entities. For the first quarter, Teekay LNG partners generated distributable cash flow, or DCF, of approximately $43 million resulting in DCF per limited partner unit of $0.54, resulting in a strong distribution coverage of 3.8 times. The Partnership’s results for the quarter were in line with our expectations, which included a one-month contribution from the delivery of our third MEGI LNG carrier newbuilding, the Torben Spirit, which commenced its charter contract with a major energy company in early-March.

We are encouraged by the strong progress made by Teekay LNG, both towards the project execution and the related financing plan for all the Partnership’s committed growth projects. This includes $640 million in new long-term financings completed or nearing completion during the past quarter and the remaining financings remain on track to be completed by the end of 2017.

For the first quarter, Teekay Tankers reported adjusted net income of approximately $7 million, or $0.04 per share, and free cash flow of approximately $34 million.

While spot tanker rates in the first quarter were largely in line with those of fourth quarter of 2016, near-term fundamentals are pointing to tanker market weakness over the next few quarters. Teekay Tankers has taken proactive steps to maintain fixed charter coverage and strengthen its balance sheet, including a recent sale-lease back transaction and sale of three older vessels so that it is well-positioned for the next market upcycle. We believe we are nearing the bottom of the current asset cycle with more positive fleet fundamentals ahead, which we expect will help drive a tanker market recovery in 2018.

Finally, for the first quarter, Teekay Offshore Partners generated DCF of approximately $31 million, resulting in DCF per limited partner unit of $0.20 and declared a cash distribution of $0.11 per unit. Teekay Offshore’s first quarter results reflected stronger cash flows from its shuttle tanker and FPSO fleets. This quarter’s results highlight the strong cash flow that these businesses are currently generating and which is expected to grow as Teekay Offshore takes delivery of its existing growth projects. Once delivered, these projects are expected to add approximately $200 million of annualized CFVO.
We are pleased to report that Teekay Offshore’s 50% owned Libra FPSO arrived into Brazilian borders yesterday, about 10 days ahead of schedule. Following commissioning, hook-up and testing on the field, we expect that the unit will commence its 12-year contract in late June or early July. In addition, the shuttle tanker business continues to perform well and we have recently secured two new contracts of affreightment at higher rates.

However, Teekay Offshore is working through a few challenges as discussed on its earnings call yesterday. This relates to cost over-runs on two of its projects as well as the recent termination notification received on the Arendal Spirit charter contract, and the potential impact of these on Teekay Offshore’s balance sheet. Given the market reaction yesterday, I wanted to assure you that our Teekay resources are fully focused on tackling these challenges and we are making good progress on many fronts. We believe these setbacks are within our means to overcome, as we have done in the past.

Turning to slide five, as demonstrated by recent contract announcements by Teekay Offshore, we are beginning to see increasing evidence of “green-shoots” in our core offshore markets. As captured in the recent headlines on this slide, positive progress is being made in bringing offshore field development costs down, which may enable further new field developments to proceed toward final investment decision in the coming months.

We are still in the early days, but already the headlines are translating into positive results for Teekay Offshore’s business in the form of new shuttle tanker contracts, existing charter extensions, and potential new offshore production contracts.

Turning to slide six, a tangible example of our customers again focusing on maximizing their existing fields, is the Hummingbird Spirit FPSO, which we recently extended our contract to the end of September 2020 with Centrica on the Chestnut Field in the North Sea. Last year, Centrica was faced with shutting in production and consequently, we were faced with potentially having to lay-up the FPSO unit if they
elected to redeliver the unit in October 2017. Instead, we agreed on a three-year contract extension, which will take effect in October this year on terms where we have all operating costs fully covered, but we participate to the upside based on the field’s production levels and oil price.

Centrica’s announcement this week on a $45 million drilling campaign, which is expected to add approximately 10,000 barrel per day of production to the existing 4,000 barrels per day is of course exactly what we were playing for. For illustrative purposes, and assuming production of 14,000 barrels per day, we will generate between $10 million to $40 million of cash flow per annum at an oil price range of $50 to $70 per barrel compared to the current breakeven CFVO.

To wrap up, we continue to focus on delivering on our existing growth projects, optimizing our asset portfolio across the group, and strengthening our balance sheets to better position the Teekay Group to take advantages of future opportunities. For Teekay LNG Partners, this means continuing to execute on our current newbuilding financing plan for Teekay Tankers, this means positioning the business for the next upcycle and for Teekay Offshore, this means continuing to make progress towards delivering on the existing growth projects and strengthening the balance sheet.

Thank you for joining us on the call today. Operator, we are now ready to take questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing *1 on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press *1 to ask a question. And we will take our first question from Michael Webber with Wells Fargo. Go ahead. Mr Webber, your line is open.

Michael Webber: Hello. So I know you guys addressed the Arendal Spirit and the Petrojarl I yesterday on TOO’s call. But I was curious on what’s steps can you take at the parent level to maybe help you address those issues?
Good morning, this is Vince here. First of all, as Kenneth said, we are fully focused on TOO's liquidity situation. And I think there is many reasons why we are confident that TOO will be able to address these challenges. First of all, TOO is focused on the oil production side of the business, and it continues to generate a lot of cashflow, which is backed by strong counterparties. So this gives TOO multiple alternatives to raise additional liquidity, ranging from partial or full monetization of certain assets through joint venture partners to new financings or refinancings of the existing assets, to help bridge the completion of TOO's projects.

And then secondly, we have actually been working on a number of these initiatives over the past several months and we are making good progress on many of these fronts and we hope to update the market on some of these, quite soon. And the last point I think is TOO's cash flows will increase as these projects deliver, they will add another $200 million of annualized EBITDA and this will allow TOO to naturally deleverage overtime once these projects begin to cashflow. So we are very confident that we'll be able to address these.

And the parent obviously is supporting TOO, we are dedicating a lot of our corporate resources to resolving and raising this liquidity. And the parent is there to support the daughters as we have in the past, if necessary.

Got you. And then just one quick question on the charter on LNG carriers. Do you have any color on the employment level for that?

Yes, the Polar Spirit secured a one-year charter with a major energy company that commenced in April. So we will see the benefit of that in the second quarter. We provided some guidance in the appendix of the presentation, which indicates it will improve the Parent's free cash flow by $4 million in the second quarter and going forward that is a one year charter. We do have the Arctic Spirit, which is in a similar situation where we have chartered it from TGP. We are actually actively looking at chartering
that vessel out as well under similar terms. We hope to secure something sometime in the third or fourth quarter for that vessel.

And as a reminder, these in-charters in TGP they do expire in April 2018, so that will not be effecting the parent going forward starting in the second quarter of 2018.

Kenneth Hvid: And maybe I should just add, I mean, what's unique about these vessels is that they're actually a different size from some of the other vessels that are out there in the spot market right now.

So they actually cater to a more niche trade into certain terminals where you have some draft restrictions. So these are slightly smaller vessels at 89,000 cubic meters where the vessels that we're competing against are in the say 145,000 to 174,000 range and with a deeper draft. So some of the charters can really use this to partially load these vessels and use them into some of the smaller terminals. So that's why they're commanding some pretty good rates there.

Michael Webber: All right, I appreciate the color, and thanks for taking the time.

Operator: And we'll take our next question from Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes, hi, gentlemen, and thank you. I just wanted to ask about the Hummingbird Spirit. You mentioned that the current production is around 4 million barrels per day – 4,000 barrels per day. What is the realistic number for 2017 and early 2018 given where the current oil prices are?

Vince Lok: Yes. Hi, Fotis. As you know, we're not reservoir specialists here, so we lean on the same information that's been shared by our customers to the market. And they did put out an announcement earlier this week where they announced this drilling campaign that they're doing and where they're expecting the well that they're drilling to flow about 10,000 barrels per day. They are doing that drilling
campaign in the third quarter of '17. So it looks like that's going to coincide roughly with when we go on the new extension charter of the Hummingbird, which will last for three years.

Fotis Giannakoulis: Thank you for that. I want to ask about your different credit facilities. Can you update us what is the level of the TPO facility, the outstanding right now? And refinancing of the equity margin revolver that you have. Did you draw down any debt this quarter?

Vince Lok: The TPO facility, which is secured by the three FPSOs at the Parent, the outstanding balance at 31st March was about $123 million, and that amortizes down to $30 million at the end of 2018. So that's the status of that one. In terms of the equity margin revolver, we did complete an amendment in early April where we upsized the total availability from $150 million to $200 million. So that was partially drawn at 31st March. I think the amount that was drawn at was about $76 million of that at 31st March.

Fotis Giannakoulis: Thank you. Does this facility serve that you have up at the Parent level have any links with TOO when they cross default relationship with a TOO debt?

Vince Lok: Yes, there are a few legacy loans, mainly related to the shuttle tankers of TOO. And of course, the shuttle tanker segment is one of our best performing segments. But a lot of those guarantees would expire overtime. So overtime those guarantees will start to disappear. So some of these are legacy loans where the parent guarantees that remained – to enable us to keep the favorable terms of those loans.

Fotis Giannakoulis: Okay, but there are not specific links between the Teekay Parent credit facilities and the TOO loans, it's simply the guarantees that the parent has provided to the loans of TOO. Is that correct?

Vince Lok: That's correct.

Fotis Giannakoulis: Okay. Thank you, Vince.
Vince Lok: You’re welcome.

Operator: And we will take our next question from Wayne Cooperman with Cobalt Capital.

Wayne Cooperman: Hey, guys, how are you? Given the market reaction yesterday to the numbers, which you could say people didn’t understand it, but it just seems that the people are more concerned about your ability to even maintain your current payouts versus raise capital. And we know as the parent a lot of the value is based on the daughter companies getting into the higher split. So I wonder, A, if you could comment on when you might see dividends going up at the daughters? And two, if you could comment on any thoughts about restructuring the parent-daughter relationship, because it doesn’t look like you’re going to get into the high splits or the IDRs anytime in the next couple of years.

Kenneth Hvid: Hi, Wayne, it’s Kenneth. So as we – I think we started out at the end of the year and when we reported in the first quarter here, we knew that we have one to two years ahead of us here with a lot of blocking and tackling project execution and financing on our projects. So we went through it of course in quite detail as you heard probably on the LNG call yesterday where we’re making great progress on the financings. We need to have those in place, but I would say we’re largely tracking along the plan that we put out end of last year.

So as we enter into next year, I think that’s where we will start to really have that discussion. So your read on that is correct. On the offshore side, it’s much the same story except that we have, I would say, more focus also on the project execution. And of course, the Arendal wrinkle that we had is obviously added to it, but we’re fully focused on that now. And it’s about putting these projects in place. Fortunately, our markets are intact, they are up against good counterparties and in slightly strengthening market here. These are some good projects.
So full focus on getting them to cash flow, and then getting our balance sheet restored. And that means that as we get into next year that’s when we can hopefully have some meaningful discussions about this again. But right now we’re fully focused on the execution.

Wayne Cooperman: So to follow up just – do you contemplate having to issue any equity or equity type securities to get through the build out? And secondly, you didn’t really address whether you would contemplate changing the parent-daughter relationship at all or that’s not something that you’re planning on doing?

Vince Lok: I guess your first question is, I presume, is relating to the existing growth projects in TGP and TOO. In TGP, as Mark and Brody talked about on the call yesterday, when we complete all the remaining financings of the newbuildings, we’ve already funded the equity portion of those, so there isn’t a need to issue equity in TGP to fund the remaining CapEx.

As it relates to TOO, as we mentioned on the call yesterday, one of the sources of liquidity there is to look for joint venture partners given that we have a lot of attractive assets that are generating lot of stable cash flows in TOO. And we can partially monetize some of those to fund those in a more cost efficient manner.

Sorry, what was the second question that you had?

Wayne Cooperman: If you guys have thought about changing the relationship between parent and daughter, you know, doing something with the GP and the IDRs, or are you kind of leaving it alone for now?

Vince Lok: Nothing in the near term, I would say. We are noticing there’s lot of the GPs and MLPs looking at the IDRs and IDR resets. I think it’s something that’d be prudent for us to evaluate at some point in time, but nothing in the near term.

Wayne Cooperman: Okay, great. Thank you.
Vince Lok: Thank you.

Operator: It appears there are no further questions at this time. Mr Hvid, I would like to turn the conference back to you for any additional or closing remarks.

Kenneth Hvid: Thank you everyone for joining us today. We look forward to reporting back to you next quarter.

Operator: This concludes today's conference. Thank you for your participation. You may now disconnect.